

ANNUAL REPORT 1987



Workers' Compensation
Commission
of Newfoundland and Labrador

Cover

A P&H Shovel with a 22 cubic yard capacity bucket, and a 150 ton haulage truck at the Humphrey Mine operations of the Iron Ore Company of Canada in the Labrador City area.

— Photo by David French, Media Specialist,
Iron Ore Company of Canada, Labrador City, Newfoundland



WORKERS' COMPENSATION COMMISSION OF NEWFOUNDLAND AND LABRADOR

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Ed Maynard — Chief Executive Officer

Max Bursey — Executive Director Compensation Policy and Planning

Bruce Peckford — Executive Director Corporate Services

DEDICATED TO THE PROVISION OF PROMPT AND ADEQUATE INCOME
PROTECTION TO VICTIMS OF INDUSTRIAL INJURY AND TO THEIR
FULLEST POSSIBLE REHABILITATION.



**WORKERS' COMPENSATION COMMISSION
OF NEWFOUNDLAND AND LABRADOR**

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EXECUTIVE OFFICE

1988 03 31

The Honourable T.A. Blanchard
Minister of Labour
Confederation Building
St. John's, Newfoundland
A1C 5T7

Dear Mr. Minister

The Workers' Compensation Commission is pleased to present its Annual Report for the year 1987.

We trust that the information contained herein, regarding the activities of the Commission during the past year, is satisfactory.

Respectfully submitted,

Gary Reardon
Chairperson, Board of Directors

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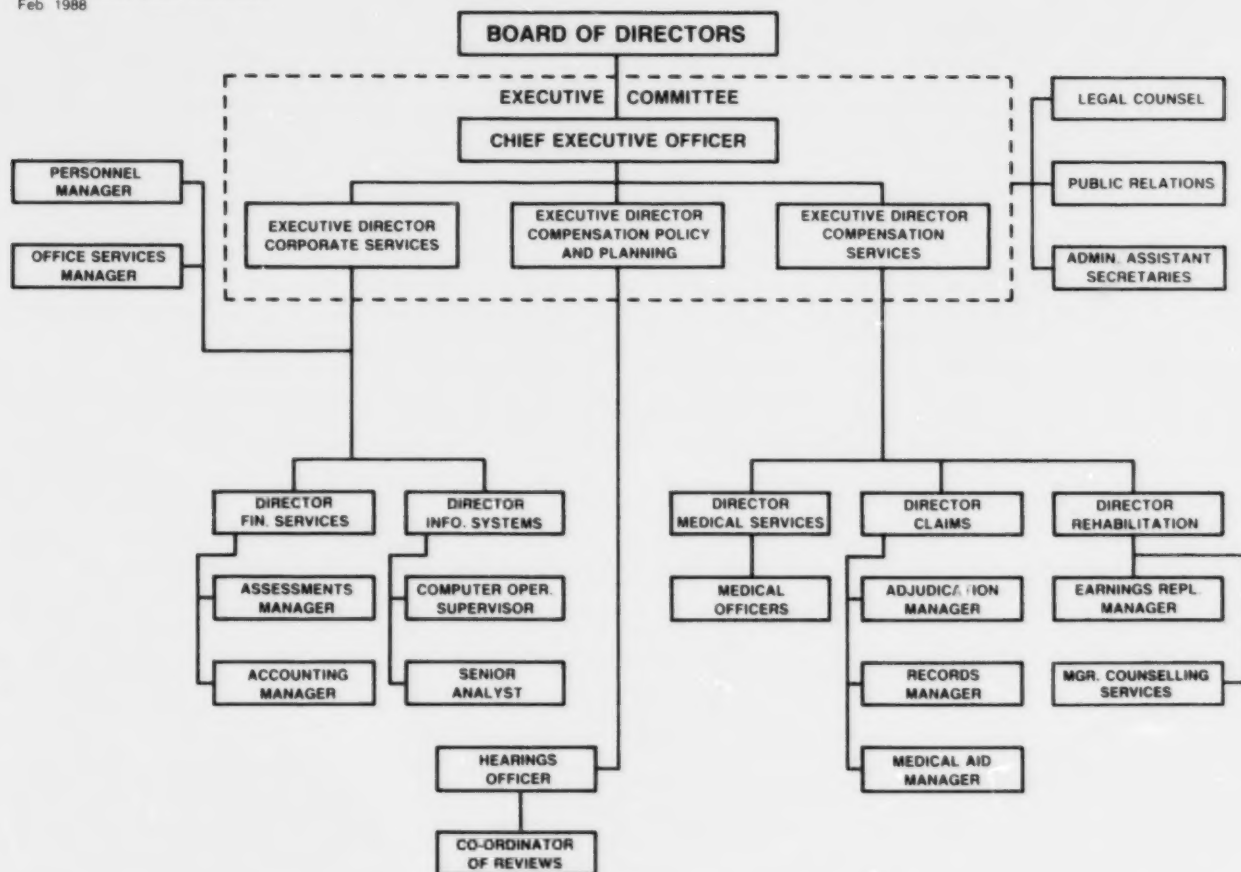
INTRODUCTION

The Annual Report of the Workers' Compensation Commission presents a review of activity for the year ending 1987 12 31.

The Workers' Compensation Act/Regulations 1983-1984 governs the operation of a no-fault work injury insurance program for the workers and employers of the province. This program provides to the worker guaranteed wage loss protection; payment of medical costs associated with work injury and disease; rehabilitation; and protection from suit to the employer.

The enclosed material provides information on the operation of this program. For further information on any aspect of this program, please contact:

WORKERS' COMPENSATION COMMISSION
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146-148 FOREST ROAD
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REPORT ON OPERATIONS

GENERAL

The early part of 1987 saw a significant change at the policy making level of the Commission. In February a new Corporate Board was appointed, replacing the old Board of Commissioners. The Corporate Board is all part-time — consisting of eleven members with equal representation of employers, workers and the general public. In addition, the Chief Executive Officer and the Chairman of the Appeal Tribunal serve in an ex-officio capacity.

As could be expected, since this was a structure totally new to the Workers' Compensation Commission, there was a period of adjustment — both from the Commission's standpoint, and that of the Board members themselves in getting familiarized with the workers' compensation programs. The Board met on an average of once per month and while still going through some stages of formulating committees and refining procedures, the operations have been very smooth, and the whole system is working very well. The concept of a part-time Board of Directors on a corporate basis is far advanced and reflects the reality that the Commission is indeed a fairly large corporate entity on the provincial scene.

The Board of Directors sets policy and does not become involved in day-to-day operations — these being delegated to staff through the office of the Chief Executive Officer.

A related development in the change of policy making level of the Commission was the restructuring of the review and appeals system. Since there was no longer a Board of Commissioners to hear appeals, Government had decided there should be an external Appeals Tribunal, to be completely independent from the Commission. The final level of review on behalf of the Commission takes place, in the Internal Review division, through a Hearings Officer. Those parties, either workers or employers, who are not satisfied with the final decision of the Commission have the right to go before the external Appeals Tribunal. The Tribunal is located in offices away from the Commission and Government. The cost of the Tribunal is paid by Government in the first instance, with later reimbursement by the Commission.

The statutory Review Committee set up by Government in late 1986 had not reported by year end. The Committee had continued its work throughout 1987 and it's expected that a report will be made to Government in early 1988.

The Commission, in addition to coping with restructuring at the Board of Directors level, continued to revise and refine internal management and decision making processes. A consultant's report by the firm of Touche Ross, that had been finalized in late 1986 and was reported on in last

year's Report, has resulted in extensive changes in management procedures and reporting relationships. These implementations continued throughout 1987 and it is expected the final recommendations, as far as can be implemented, will occur in the early part of 1988.

Appeals

The entire appeal process of Workers' Compensation was revised in 1987 to allow a more prompt and thorough review of disputed decisions.

Appeals against decisions made by adjudicators, rehabilitation counsellors and assessment officers go through two levels of review.

The first is conducted within the Commission through an internal review process, the final stage of which is a written decision by a Hearings Officer. This decision is rendered after the appealing party has had an opportunity to express his/her views at a public hearing.

In 1987 there were 249 requests for an internal review. This represents a 24% increase in requests over 1986. Of this number, the majority were resolved without having to go to a hearing. There were 68 hearings with 18 of these resulting in overturned or modified decisions.

By the end of 1987 the internal review process was firmly established with procedures clarified and personnel fully trained. The response time in which dissatisfied parties were given a hearing and final decision improved during the year. On average hearing dates were set four (4) to six (6) weeks after request and the written decisions were finalized three (3) to four (4) weeks after the hearing. A maximum thirty (30) day wait for a hearing and three (3) week wait for the final decision are the goals for 1988.

The second level of review involves a hearing before the Workers' Compensation Appeal Tribunal. This court of arbitration is totally independent of the Commission and hears an appeal after the final decision of the Commission's internal review process has been rendered.

Commission staff first became involved in Appeal Tribunal activity in the summer of 1987. The first request for copies of files from the Appeal Tribunal was received by the Commission in early September 1987. By the end of 1987 the Appeal Tribunal finalized five (5) decisions. Of these, three (3) of the Commission's decisions were upheld and two (2) were overturned.

The Charter and The Workers' Compensation Act

The Newfoundland Workers' Compensation Act, 1983, states that a worker or his dependents cannot sue an em-

ployer for damages for injuries or death sustained in an on-the-job accident.

This is true for all workers' compensation systems across Canada — the employer cannot stop a worker from receiving compensation and the worker cannot sue the employer for damages in court.

However, in 1986 the wife of a man who was killed on the job, argued that under the Canadian Charter of Rights and Freedoms it was the right of every citizen to take court action against an employer for damages, and that this right overruled the provisions of The Workers' Compensation Act.

After hearing the case, the Chief Justice of the Supreme Court of Newfoundland agreed with the arguments and ruled that the workers' compensation bar against actions is contrary to the Charter of Rights and Freedoms.

An immediate appeal was made to the Newfoundland Court of Appeal. Because the ruling would affect workers' compensation legislation in other provinces, seven other workers' compensation boards, two attorneys-general, and representatives of both labour and management groups requested permission to present arguments in support of the system when the matter came before the Appeal Court.

The Court of Appeal filed its judgement on October 23, 1987, ruling that the provisions of The Workers' Compensation Act are not contrary to the Canadian Charter of Rights and Freedoms.

However, there remains a very high level of concern among Canadian businesses, government, compensation boards and workers about the continuing uncertainty of the law in this area. A final ruling on this issue must, at some time, be made by the Supreme Court of Canada. At year end, there were indications that the parties who took the case to court initially would ask the Supreme Court to hear an appeal of the Newfoundland Court of Appeal decision.

CLAIMS DEPARTMENT

The Claims Department is responsible for processing all claims submitted to the Commission. This includes gathering all information and documents required in order to determine a worker's entitlement; and includes processing of benefits where entitlement is established. Thus, the receipt of information on a timely basis is critical to efficient operations and payment of benefits to an injured worker. The cooperation of employers and physicians in submitting prompt reports to the Commission is essential.

Benefits processed by the Claims Department include:

- Earnings Loss (Temporary or Partial): while a worker is recovering from the effects of an on-the-job injury or disease.
- Dependency benefits: to the spouse and/or children where the injury or disease causes death.
- Permanent Functional Impairment Awards: for disfigurement and loss of body function based on the physical disability and paid in a lump sum.
- Medical Aid benefits: such as doctor's fees, prescribed drugs, hospital costs, travel expenses in seeking medical

treatment, physiotherapy, prosthesis and others.

There were 19,149 claims processed in 1987 involving current and prior year injuries. This is 206 less claims or a one percent decrease as compared to 19,355 claims processed in 1986.

Of the total claims processed in 1987, 9078 were for earnings loss and 8278 were for medical aid treatment only.

There were 24 fatalities in 1987. Twenty as a result of traumatic injury and four as a result of industrial disease. Three claims were considered for prior year trauma.

A breakdown of the claims for fatal injuries resulting from trauma is as follows:

Drowning-Fishing	8
Electrocution	4
Heart Attack	1
Vehicle	5
Machinery	1
Fall	1

Current and prior year costs for all claims processed in 1987 amounted to \$37,446,000.

Since advanced computer technology was introduced at the Commission a few years ago, a more streamlined operation has resulted, improving the overall efficiency. However, we now find that the various systems need to be reviewed again to make sure they are meeting current demands.

In February, 1987 a special project was started. This was an analysis of the claims processing procedures of the Assembly, Records Control and Micrographics units within the Department. A Systems Review Analyst was assigned to carry out the evaluation and a comprehensive report was completed with a total of 17 recommendations being made. These recommendations when implemented will improve the services being provided by the Claims Department.

In October, 1987 the Medical Aid payment system was completely reviewed. A committee was established to examine and determine the effectiveness of the claims accounts payment system. The aim is to improve the current system and provide more efficient methods of processing client accounts. The study has been completed in draft stage. Changes resulting from recommendations received will be implemented in 1988.

Conversion of permanent disability monthly payment claims was another significant project under consideration in 1987.

Newfoundland Regulation 106/86 allows for conversion of all pre-1984 claims to the earnings loss replacement system. Under this process, workers receiving monthly payments for permanent disability can have their claim reviewed to determine any earnings loss entitlement stemming from their work related injury. If there is no loss of earnings capacity, the worker can request payment of a lump sum for the amount of the capitalized reserve set aside.

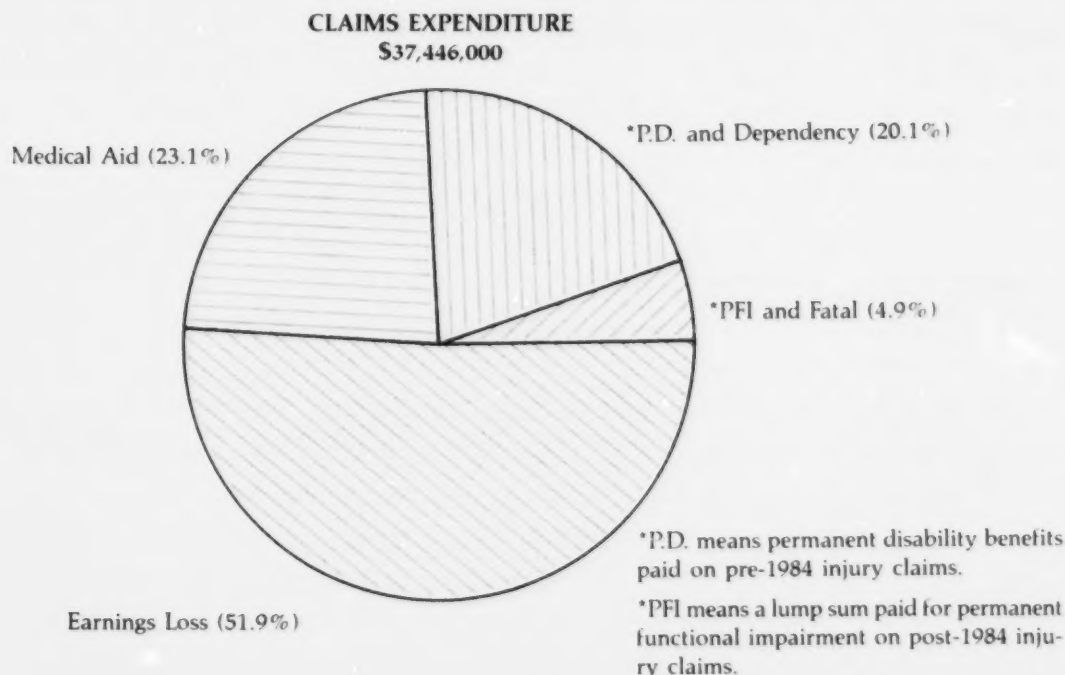
Approximately 1300 questionnaire forms were mailed to claimants receiving monthly disability payments. Eighty percent of workers responded to our request for updated information. The conversion program will be started in early 1988

and will be a major undertaking.

Over the past year the majority of employers cooperated with the Commission in submitting reports (Form 7) for their injured workers within the statutory time frame. However, there are some employers who are still late in for-

warding reports.

In an effort to process prompt payment of claims for injured workers, employers who are late in submitting reports to the Commission in 1988 will be subject to a penalty as required by regulations.



REHABILITATION DEPARTMENT

The Commission's rehabilitation programs, and quality of service were closely analyzed in 1987. The Commission contracted with the Institute of Socio Economic Research (I.S.E.R.), of Memorial University to conduct a study of its rehabilitation mandate, resources, programs, and service delivery, and to recommend measures which might improve, in a cost efficient manner, the Commission's program of restoring injured workers to the workforce.

The I.S.E.R. report concluded and recommended, in part, that:

1. The Workers' Compensation Commission rehabilitation program is not effectively resolving the unemployment problems of injured workers in the majority of cases.
2. Commission programs are not sufficiently geared to cope with workers employment problems which are greatly compounded by limiting factors other than the actual disability; a 70% average functional illiteracy rate among referred workers, for example.
3. The resolution of the employment problems of injured workers may well not be possible without a determined cooperative concern and action by employers and labour relations groups, coordinated by Workers' Compensation.

Of its 4.1 million dollar benefit expenditure in 1987, the department spent 1.0 million dollars in attempting to obtain alternate employment with the accident employer; formulating alternate employment plans for workers who were terminated from the accident employer; and in assessing workers who were left with no alternative but to look elsewhere for employment.

Two million dollars was spent in retraining workers who, unable to return to alternate work with the accident employer, had to be provided with the opportunity to develop other skills for employment.

Seven hundred thousand dollars was spent in training workers for alternate employment within industry by on-the-job training. This represents only 17% of costs. But it reflects an awareness that industry is becoming committed to the fact that compensation is an employer concern.

In response to the I.S.E.R. report that the Workers' Compensation Commission is not providing sufficient individualized counselling service to workers because of high counsellor case loads, the Commission will be expanding the staff complement from five counsellors to nine in 1988.

The case load volume in 1987 was 1,171 claimants. The total number of training programs initiated was 322. Two

hundred and seventy-seven workers were eventually returned to employment.

Consistent with the I.S.E.R. report only 15% of workers who are injured to the extent that they cannot return to their pre-injury occupation are being reinstated to other alternate employment. In fact, only eight percent of such workers are being accommodated by the accident employer.

Indications in 1987 are that industry and government are becoming more aware of their role and responsibilities in reinstating injured workers to the workforce, and avoiding long term costs of retraining.

The Department in 1987 resolved approximately 46% of the cases referred to it.

A 63% increase in costs has been incurred in attempting to bridge the transitional process between injury and return to work: i.e. the period wherein Rehabilitation attempts to determine what to do with a worker who is said to be unable to return to his/her usual job.

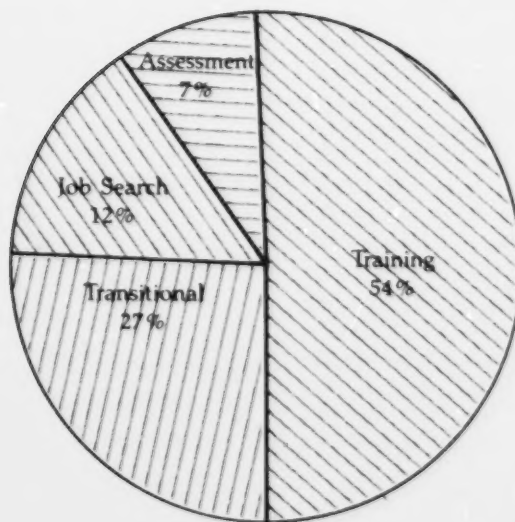
In 1988 the department will continue to place its emphasis on "return to work within the usual work environment" as being the more cost/effective method of rehabilitation. Vocational counselling will encourage the worker to consider return to work options rather than pursue unrealistic alternate career paths.

The department's analysis (supported by similar reports in Canada and the United States), is that programs geared to retraining, new employment, changing occupations, are the least cost/effective, in assisting disabled workers back into the workforce. The most cost efficient programs are those which effect return to usual, familiar work environment.

The Department in 1987 arranged with the Adult Education Division of the Department of Career Advancement, a structured six week Job Search Techniques program to assist workers to consider career options, and methods to achieve employment. A total of 51 workers have availed of this program.

Considerable preliminary work has to be done to develop a revised set of policies and procedures — emphasizing the department's role of assisting workers actively seeking return to employment. Restructuring and refinement of the Rehabilitation Department mandate will focus the department's efforts on effective vocational Rehabilitation programs, rather than short term income replacement programs. The emphasis will be with the worker and employer. The Commission's rehabilitation program will assist but cannot, and will not, force or decide a worker's career path.

REHABILITATION EXPENDITURES BY PROGRAM 1987



Program Expenditure
\$4,109,000

MEDICAL DEPARTMENT

The Medical Department continues to ensure that the Commission fulfills its obligations under Sections 50 and 73(1) of the Act. The Department provides essential medical advice to Claims Adjudicators and Rehabilitation Counsellors to assist in the management of workers' claims.

Since the Commission must medically monitor a claim to the extent it considers necessary, the Department attempts to fulfill this mandate by getting the cooperation of treating physicians, paramedical personnel and treating institutions. To assist in this goal, the Department has an ongoing program of formal presentations for groups of physicians, including Memorial's medical students to emphasize the importance of cooperative effort with the Commission.

To help circumvent the long delays in the medical care system, various programs have been developed. The goal is to decrease the number of claimants reaching the six month period without having returned to work. The risk of development of the chronic pain syndrome increases steadily the longer a claimant is off work. Delays in receiving opinions, investigation reports and treatment are a major factor in the number of claimants who end up in this frustrated, depressed and anxious state. The eight priority beds at the Health Sciences Centre; the Injured Workers Program at the Miller Centre; priority appointments with orthopaedic surgeons; the Lifestyles Program at the Aquarena; priority access to EMG/nerve conduction studies; physiotherapy at Western Memorial Hospital, are all designed to speed up the process of treatment and return to employment.

Negotiations continued in 1987 towards providing financial assistance to purchase another CAT scan for the St. John's area. In 1988, it appears this will become a reality and this assistance will result in a dedicated amount of time for claimants who require this investigation. CAT scan investigations will circumvent the need for myelograms which require necessary hospitalization and will decrease the risks associated with this technique.

Throughout 1987, the workload within the Department remained high. Compared to 1986, more claimants were examined, both to monitor progress from their injury, and to rate Permanent Functional Impairments when claimants reached maximum medical recovery. The decision-making departments, Claims and Rehab, sought medical advice more frequently to assist them in reaching decisions. The Department continues to serve the Commission in an essential role to see that necessary, appropriate and sufficient care is provided claimants as quickly as possible.

FINANCIAL SERVICES DEPARTMENT

The primary function of the department is to ensure the Injury Fund is adequately financed.

Finance

The Commission was an active participant in the Canadian bond market in 1987 and earned a yield of 12.3% on the book value of its investment portfolio — 11.3% in 1986. The first stage of the review of investment objectives and policies was completed in 1987. A consultant recommended, and the Board of Directors approved, an asset mix policy of 80% investment in bonds and 20% in equities. The process of selecting managers who provide a relatively conservative approach to investing will begin in 1988.

The Commission's assets increased to \$84.7 million dollars, liabilities to \$98.6 million dollars and the unfunded liability increased by \$1.3 million dollars. However, there was no change in the Commission's funding position.

The Accounting Division was successful in developing a departmental administrative budgeting program in 1987. The program will be implemented in 1988, and will provide management with a control system to monitor administrative expenditures. Development will begin in 1988 on a budgeting and forecasting system for program expenditures.

Assessments

The Assessment Division is responsible for the classification of employers, rate setting, audit of employers' payrolls and collections. Increased emphasis was placed on collection of delinquent accounts in 1987 and resulted in decreasing the assessments outstanding to less than 10% of assessment revenue.

Computer systems were developed and staff hired for the Experience Rating program. The program will be introduced in 1988 on a pilot basis in the hospital, road construction and fish processing sectors. Consultation with employers will continue in 1988 to ensure the effective implementation of the program.

The development of new systems and the enhancement of current systems is a priority for 1988. The continued progress and development will provide better service to the employers of the province.

Financial Highlights (\$ millions)

	1987	1986
Revenue		
Assessment Revenue	\$47,435	\$40,976
Investment Income	7,963	6,851
Self-insurers	2,306	2,374
	<u>57,704</u>	<u>50,201</u>
Expenditures		
Benefits		
Temporary Earnings Loss	19,310	17,262
Medical Aid	8,832	7,772
Rehabilitation	4,109	2,571
Extended Earnings Loss	491	108
Permanent Functional Impairment and Fatal Payments	1,819	2,304
Dependency Benefits	3,869	3,596
Payments to Permanently Disabled Workers	3,616	3,899
	<u>42,046</u>	<u>37,512</u>
Operational		
Occupational Health and Safety	1,968	1,529
Administrative	5,177	4,344
	<u>7,145</u>	<u>5,873</u>

Financial Position (\$ millions)

	1987	1986	Change
ASSETS	\$84,696	\$76,687	10.4%
LIABILITIES	98,617	89,329	10.4%
PROVISIONAL			
OPERATING DEFICIT	26,312	22,216	18.4%
UNFUNDED LIABILITY	13,921	12,642	10.1%
FUNDING POSITION	85.9%	85.8%	.1%

INFORMATION SYSTEMS DEPARTMENT

The Information Systems Department is responsible for providing information processing services within the Commission. In addition, the department provides computing services and work injury data to the Occupational Health

and Safety Division of the Department of Labour and Manpower. All processing in 1987 was performed on the in-house IBM System/38.

To keep up with the high volume of processing, the following equipment changes were made:

- A second remote communications port became operational providing faster communication links to and from the Branch Offices. This has enhanced the level of service to employers and claimants in Central and Western Newfoundland.
- Four personal computers were installed. They are capable of being operated as a stand alone unit, or they can communicate directly with the System/38.
- The local terminal network was increased to 54 work stations.
- Word processing capability was upgraded to 18 terminals and 10 printers.

In 1987, priority was given to the review and enhancement of production systems. Analytical and programming support was provided primarily by permanent staff within the Information Systems Department. A Programmer/Analyst was retained on a contractual basis to work on special projects.

PERSONNEL REPORT

The past year was one of continued growth and development within the Personnel Office and the Commission.

The major development was the re-negotiation of our Collective Agreement. Highlights of the agreement include the implementation of the Hay System of Job Evaluation; introduction of a flexible work hours system; an improved "injury on duty" clause; and, the introduction of a basic dental plan.

Following the signing of the new agreement, the Labour/Management Committee was re-activated to discuss and resolve issues of mutual concern in a co-operative spirit.

There was considerable activity in the area of recruitment and selection. Sixteen new employees joined the organization, while internally, there were numerous temporary assignments and promotional opportunities within the bargaining unit and management. At year end, the permanent staff complement was 126.

With the continuing interest in career and personal development shown by staff, a full time Personnel/Training Officer was recruited to enhance and further develop efforts in this area. During the year, approximately 50% of employees participated in a variety of formal and informal training courses, seminars and long-term educational programs.

The Executive is appreciative of the continued dedication and efforts of staff in serving the workers and employers of the Province.

FINANCIAL STATEMENTS AND NOTES

Funding Policy

Auditors' Report

Balance Sheet

Statement of Revenue, Expenditure and Provisional Operating Deficit

Statement of Liabilities and Reserve Accounts

Statement of Changes in Financial Position

Administrative Expenses

Statement of Revenue, Expenditure and
Provisional Operating Deficit by Classes

Notes to Financial Statements

COMMISSION'S POLICY ON FUNDING FOR RESERVES AND LIABILITIES

Pursuant to Sections 85 and 104 of the Workers' Compensation Act, 1983, The Commission has developed a policy statement on aims and objectives regarding funding of reserves and funding of current and long term liabilities.

POLICY STATEMENT

The Commission shall endeavour to have available sufficient assets to cover the total liabilities and reserves accumulated at any specific point in time.

At the end of each calendar year the total assets of the Commission, consisting of:

- (a) depreciated value of fixed assets;
- (b) current book value of long and short term investments;
- (c) accounts receivable (less allowance for doubtful accounts); and
- (d) cash on hand,

shall be compared to the total liabilities and reserves; including:

- (a) current liabilities;
- (b) liability for payment to permanently disabled workers for life or age 65;
- (c) liability for payments to dependants for life or limited periods;
- (d) liability for established earnings replacement benefits, projected to age 65;
- (e) liability for temporary disability benefits, projected to estimated termination;
- (f) liability for estimated future cost of medical aid;
- (g) liability for annuity payments;
- (h) recapitalization reserve;
- (i) disaster reserve;
- (j) second injury reserve;
- (k) occupational health and safety reserve.

NOTE: All liabilities in (a) (b) (c) (d) (e) (f) and (g) shall be calculated on current dollar values with no allowance for future statutory increases or other adjustments. The philosophy being that if the Commission was to cease operation at that point, additional liabilities would not be accrued.

The aim of the Commission shall be, that the total assets as described herein, shall equal or exceed the total liabilities and reserves.

AUDITORS' REPORT

To the Board of Directors of the
Workers' Compensation Commission of
Newfoundland and Labrador

We have examined the balance sheet of The Workers' Compensation Commission of Newfoundland and Labrador as at December 31, 1987 and the statements of revenue, expenditure and provisional operating deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, except for the effect of changes, if any, in the estimated liability for future costs of existing claims as referred to in Note 4, these financial statements present fairly the financial position of the Commission as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

St. John's, Newfoundland
March 9, 1988

Doane Raymond
Chartered Accountants

BALANCE SHEET

DECEMBER 31, 1987

ASSETS

	1987	1986
Current		
Cash	\$ 344,748	
Temporary investments, at cost	3,454,622	\$10,732,210
Receivables		
Assessments (less allowance for doubtful accounts \$2,068,269; 1986 - \$1,199,936)	3,440,114	5,813,856
Interest	1,523,780	1,274,106
Self-insurers		623,413
Other	24,907	10,692
	8,788,171	18,454,277
Investments, at book value (Note 2)	70,865,914	53,046,352
Land, building, furniture and equipment (Note 3)	5,041,493	5,186,013
	<u>\$84,695,578</u>	<u>\$76,686,642</u>

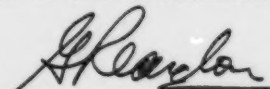
LIABILITIES

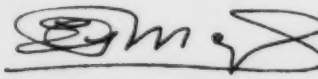
Current		
Bank indebtedness		\$ 572,157
Payables and accruals		
Suppliers	\$ 10,609	156,166
Self-insurers	61,686	
Occupational Health and Safety	524,685	431,054
Due to employers	385,900	359,605
	982,880	1,518,982
Estimated liability for future costs of existing claims	42,746,721	36,381,491
Liability for dependancy benefits and payments to permanently disabled workers	51,007,213	51,259,060
Liability for extended earnings loss	3,318,617	
Liability for annuity payments	561,477	169,806
	<u>98,616,908</u>	<u>89,329,339</u>

RESERVES AND OPERATING DEFICIT

Disaster	8,976,355	7,678,186
Enhanced disabilities	825,951	761,028
Recapitalization	907,684	574,972
Occupational Health and Safety	1,681,101	558,638
Provisional operating deficit	(26,312,421)	(22,215,521)
	(13,921,330)	(12,642,697)
	<u>\$84,695,578</u>	<u>\$76,686,642</u>

ON BEHALF OF THE COMMISSION


Chairman


Chief Executive Officer

**STATEMENT OF REVENUE, EXPENDITURE AND
PROVISIONAL OPERATING DEFICIT
YEAR ENDED DECEMBER 31, 1987**

	1987 Transactions	Prior Years' Transactions	Totals 1987	Totals 1986
Revenue				
Assessments	\$ 44,583,234	\$ 2,852,592	\$ 47,435,826	\$ 40,975,655
Self-insurers	966,003	1,339,878	2,305,881	2,374,139
Interest on investments (includes \$3,085,013 allocated to classes; 1986 - \$1,097,457)	7,962,622		7,962,622	6,850,871
	<u>53,511,859</u>	<u>4,192,470</u>	<u>57,704,329</u>	<u>50,200,665</u>
Expenditure				
Claims and dependancy awards	15,409,154	1,339,878	16,749,032	14,470,076
Occupational Health and Safety	1,968,006		1,968,006	1,529,350
Administrative	5,177,479		5,177,479	4,344,367
	<u>22,554,639</u>	<u>1,339,878</u>	<u>23,894,517</u>	<u>20,343,793</u>
Excess of revenue over expenditure before transfers	<u>30,957,220</u>	<u>2,852,592</u>	<u>33,809,812</u>	<u>29,856,872</u>
Transfers to				
Estimated liability for future costs of existing claims	18,976,079	9,133,627	28,109,706	21,871,394
Liability for dependancy benefits and payments to permanently disabled workers from interest earnings	4,663,424		4,663,424	5,743,803
Liability for extended earnings loss from interest earnings	165,953		165,953	
Liability for annuity payments from interest earnings	48,232		48,232	9,611
Disaster reserve	2,407,708		2,407,708	2,065,764
Enhanced disabilities reserve	481,542		481,542	413,153
Recapitalization reserve	907,684		907,684	(1,114,385)
Occupational Health and Safety reserve	1,122,463		1,122,463	(219,386)
	<u>28,773,085</u>	<u>9,133,627</u>	<u>37,906,712</u>	<u>28,769,954</u>
Excess of revenue over expenditure	<u>\$ 2,184,135</u>	<u>\$ (6,281,035)</u>	(4,096,900)	1,086,918
Provisional operating deficit, beginning of year			(22,215,521)	(23,302,439)
Provisional operating deficit, end of year			<u>\$(26,312,421)</u>	<u>\$(22,215,521)</u>

STATEMENT OF LIABILITIES AND RESERVE ACCOUNTS
YEAR ENDED DECEMBER 31, 1987

	Estimated Liability For Future Costs of Existing Claims	Liability for Dependency Benefits and Payments to Permanently Disabled Workers	Liability for Extended Earnings Loss	Liability for Annuity Payments	Disaster Reserve	Enhanced Disabilities Reserve	Recapital- ization Reserve	Occupational Health and Safety Reserve
Balance, beginning of year	\$36,381,491	\$51,259,060		\$ 169,806	\$ 7,678,186	\$ 761,028	\$ 574,972	\$ 558,638
Deductions:								
Benefits paid or charged with respect to claims	21,744,476	7,484,648	\$ 296,031	14,338	1,109,539	416,619	574,972	
	14,637,015	43,774,412	(296,031)	155,468	6,568,647	344,409	—	558,638
Additions:								
Transfers	28,109,706	2,569,377	3,448,695	357,777	2,407,708	481,542	907,684	1,122,463
Interest earnings		4,663,424	165,953	48,232				
Balance, end of year	<u>\$42,746,721</u>	<u>\$51,007,213</u>	<u>\$ 3,318,617</u>	<u>\$ 561,477</u>	<u>\$ 8,976,355</u>	<u>\$ 825,951</u>	<u>\$ 907,684</u>	<u>\$ 1,681,101</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1987

	1987	1986
Cash provided from (used for)		
Operations		
Excess of revenue over expenditure	\$(4,096,900)	\$ 1,086,918
Depreciation	510,252	482,835
Amortization of premiums on investments	39,342	43,352
Gain on sale of investments	(558,296)	(345,959)
	<u>(4,105,602)</u>	<u>1,267,146</u>
Changes in		
Receivables	2,733,266	(803,548)
Payables and accruals	9,760	(1,144,167)
Payables to employers	26,295	99,509
Liabilities and reserves	44,282,561	29,896,143
Benefits paid or charged with respect to claims	(31,640,623)	(24,104,625)
	<u>11,305,657</u>	<u>5,210,458</u>
Investing		
Proceeds from sale and maturity of investments	37,106,821	32,585,874
Purchase of		
Investments	(54,407,429)	(28,968,434)
Building additions	(252,145)	(250,451)
Furniture and equipment	(113,587)	(327,970)
	<u>(17,666,340)</u>	<u>3,039,019</u>
Net cash provided (used)	(6,360,683)	8,249,477
Cash and temporary investments, net of bank indebtedness		
Beginning of year	10,160,053	1,910,576
End of year	<u>\$ 3,799,370</u>	<u>\$10,160,053</u>

ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 1987

	1987	1986
Salaries and benefits	\$ 3,685,556	\$ 3,069,861
Telephone, postage and general office	512,734	470,933
Depreciation	510,252	482,835
Building operations and maintenance	343,651	268,977
Review committee	265,274	10,551
Professional services	221,111	209,881
Travel	145,847	88,047
Printing and supplies	112,341	105,799
Computer services	93,965	110,318
Vehicle operating	84,305	64,285
Directors fees	30,600	
Miscellaneous	24,766	13,640
Equipment	10,466	17,712
	<u>6,040,868</u>	<u>4,912,839</u>
Deduct:		
Rental income	386,238	160,131
	<u>5,654,630</u>	<u>4,752,708</u>
Administrative expenses charged to self-insurers as follows:		
Government of Newfoundland and Labrador	253,701	230,116
Government of Canada	105,207	72,373
Terra Transport (CNR)	54,123	45,310
Marine Atlantic	40,676	40,154
Newfoundland Dockyard	18,536	14,563
Memorial University of Newfoundland	4,905	3,665
Quebec North Shore and Labrador Railway	3	2,160
	<u>477,151</u>	<u>408,341</u>
	<u>\$ 5,177,479</u>	<u>\$ 4,344,367</u>

STATEMENT OF REVENUE, EXPENDITURE AND PROVISIONAL OPERATING DEFICIT BY CLASSES YEAR ENDED DECEMBER 31, 1987

	1987 Totals	Class 1 Mining	Class 2 Forest Products	Class 3 Manufac- turing	Class 4 Construction	Class 5 Transpor- tation	Class 6 Service Industries	Class 7 Fishing	Class 9 Self- Insurers	Transferred to Liabilities
Revenue										
Assessments	\$47,435,826	\$ 3,006,988	\$ 2,529,484	\$ 2,941,704	\$ 9,123,016	\$ 3,262,558	\$14,813,543	\$11,758,533		
Self-insurers	2,305,881								\$ 2,305,881	
Interest on investments	3,085,013	211,502	146,102	194,146	568,425	207,556	993,943	763,339		
Transfer to liability for dependency benefits and payments to permanently disabled workers	4,663,424									\$ 4,663,424
Transfer to liability for extended earnings loss	165,953									165,953
Transfer to liability for annuity payments	48,232									48,232
Expenditure	57,704,329	3,218,490	2,675,586	3,135,850	9,691,441	3,470,114	15,807,486	12,521,872	2,305,881	4,877,609
Claims and dependency awards	16,749,032	573,005	1,131,545	1,029,383	1,988,110	812,502	4,129,926	4,778,680	2,305,881	
Occupational Health and Safety	1,968,006	128,765	127,528	137,813	303,751	124,578	630,540	515,031		
Administrative	5,177,479	338,758	335,505	362,561	799,115	327,743	1,658,840	1,354,957		
Excess of revenue over expenditure before transfers	23,894,517	1,040,528	1,594,578	1,529,757	3,090,976	1,264,823	6,419,306	6,648,668	2,305,881	
Transfers to	33,809,812	2,177,962	1,081,008	1,606,093	6,600,465	2,205,291	9,388,180	5,873,204		4,877,609
Estimated liability for future costs of existing claims	28,109,706	2,121,122	2,185,768	1,845,732	3,853,128	1,570,366	10,258,880	6,274,710		
Liability for dependency benefits and payments to permanently disabled workers	4,663,424									4,663,424
Liability for extended earnings loss from interest earnings	165,953									165,953
Liability from annuity payments from interest earnings	48,232									48,232
Disaster reserve	2,407,708	151,595	136,492	151,847	462,045	164,123	743,532	598,074		
Enhanced disabilities reserve	481,542	30,319	27,298	30,369	92,409	32,825	148,706	119,616		
Recapitalization reserve	907,684	57,151	51,456	57,245	174,187	61,873	280,304	225,468		
Occupational Health and Safety reserve	1,122,463	70,673	63,633	70,790	215,403	76,513	346,631	278,820		
Excess of revenue over expenditure	37,906,712	2,430,860	2,464,647	2,155,983	4,797,172	1,905,700	11,778,053	7,496,688		4,877,609
Provisional operating surplus (deficit), beginning of year	(4,096,900)	(252,898)	(1,383,639)	(549,890)	1,803,293	299,591	(2,389,873)	(1,623,484)		
Provisional operating deficit, end of year	(22,215,521)	(1,421,536)	36,416	(1,889,458)	(4,132,267)	(515,487)	(6,728,520)	(5,564,669)		
	\$ (26,312,421)	\$ (1,674,434)	\$ (1,347,223)	\$ (2,439,348)	\$ (2,328,974)	\$ (215,896)	\$ (11,118,393)	\$ (7,188,153)		

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1987

1. ACCOUNTING POLICIES

Assessments receivable

- i) No provision has been made in the financial statements to provide for revisions in 1987 assessments based on actual payroll returns filed by employers.
- ii) Write-offs of uncollectable assessment balances are charged against assessment revenues.

Investments

- i) A gain or loss on an exchange of investments is deducted or added to the cost of the new investment and amortized to its maturity or call date.
- ii) Investment income

Interest earnings are allocated to the liability for dependancy benefits and payments to permanently disabled workers and to the liability for extended earnings loss on the basis of 9.5% and allocated to the liability for annuity payments on the basis of the actual yield (12.3%) earned on the Commission's investment portfolio. The balance is prorated to the classes.

Depreciation

Depreciation of fixed assets is recorded on the straight-line method at the rates indicated below.

Building	2 1/2 %
Furniture and equipment	10%; 20 %

Estimated liability for future costs of existing claims

This liability represents the estimated amount required to meet future payments in respect of 1987 and prior years' injuries. The estimated liability has been calculated using actuarial factors based on actual payments to workers in prior years, including experience to September, 1986, and is to be reviewed every two (2) years.

Liability for dependancy benefits and payments to permanently disabled workers

The purpose of this liability is to set aside amounts to provide for the future payments on established awards to dependents and permanently disabled workers.

The capitalization of the awards and the resulting calculation of the liability is determined on an actuarial basis, to be reviewed every three (3) years.

The latest actuarial report was prepared on the basis of financial information available to December 31, 1985.

Liability for extended earnings loss

The purpose of this liability is to set aside amounts to provide for the future payments on established extended earnings loss awards.

The capitalization of the awards and the resulting calculation of the liability is determined on an actuarial basis, to be reviewed every three (3) years.

Liability for annuity payments

This liability represents the amount set aside to provide for established annuities to workers at age 65.

Transfers to reserves

- i) Transfers to reserves for Disaster and Enhanced Disabilities are calculated as a percentage of annual assessments revenue as follows:

Disaster	5 %
Enhanced Disabilities	1 %
- ii) The Commission has established a Recapitalization reserve sufficient in amount to cover the cost of the subsequent year's statutory increase. An adjustment of \$907,684 was made to increase the reserve in 1987 to the amount required to fund the 1988 statutory increase.
- iii) An amendment to the Regulations of the Occupational Health and Safety Act in 1986 provides for the funding, by the Commission, of special projects and studies relating to the enhancement of occupational health and safety in the work place.

Under the terms of the Regulations, the Commission is required to set aside a reserve to a maximum of five (5) million dollars. Annual transfers to this reserve are calculated as 2% of annual assessment and interest revenue. Special projects to be charged to this reserve must receive prior approval of the Lieutenant-Governor in Council.

An adjustment of \$1,122,463 was made in 1987 to increase the reserve to the amount required under these Regulations.

2. INVESTMENTS

	Par Value	Book Value
Newfoundland and Labrador Hydro	\$12,213,000	\$12,377,252
Government of Canada	11,500,000	11,409,796
Ontario Hydro	11,033,000	11,024,896
Province of Newfoundland and Labrador	9,207,000	9,308,236
City of St. John's	3,633,000	3,635,464
Newfoundland Telephone	3,611,000	3,614,730
Newfoundland Light and Power	3,555,000	3,681,131
Newfoundland Municipal Financing Corporation	3,264,000	3,239,232
NHA Mortgage backed securities	3,061,814	3,061,814
Province of British Columbia	1,850,000	1,842,167
Other	1,786,499	1,784,010
Nova Scotia Municipal Financing	1,557,000	1,551,603
British Columbia Telephone	1,275,000	1,262,937
Chase Manhattan	675,000	662,845
Westcoast Transmission	525,000	528,312
Province of Prince Edward Island	500,000	496,437
Canadian Imperial Bank of Commerce	500,000	488,984
City of Edmonton	500,000	500,000
New Brunswick Municipal Financing Corporation	375,000	396,068
	<u>\$70,621,313</u>	<u>\$70,865,914</u>

The approximate fair market value of the investments as at December 31, 1987 amounted to \$67,220,675.

3. LAND, BUILDING, FURNITURE AND EQUIPMENT

	1987		1986	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 10,830		\$ 10,830	\$ 10,830
Building	5,204,280	\$ 987,866	4,216,414	4,094,378
Furniture and equipment	2,163,647	1,349,398	814,249	1,080,805
	<u>\$ 7,378,757</u>	<u>\$ 2,337,264</u>	<u>\$ 5,041,493</u>	<u>\$ 5,186,013</u>

4. OTHER MATTER

Recent amendments to the Workers' Compensation Act and Regulations have resulted in significant changes in the nature and amount of payments to injured workers. Sufficient experience is not yet available to estimate the effect of these changes, if any, on the liability for future costs of existing claims.

STATISTICS

SUMMARY OF BENEFITS - 1987

Compensation Benefits:

Maximum annual earnings on which compensation is paid	\$45,500.00
Rate of compensation:	
(1) 1983 and prior years claims	75% of gross income
(2) 1984 and subsequent years claims	90% of net income
Maximum weekly compensation	\$589.94
Minimum weekly compensation	\$200.00, or actual net earnings if less

Dependents Benefits:

(a) Where death resulted from an injury which occurred prior to 1982 01 01	
Initial lump sum to spouse	\$1,120.00
Monthly spouse's allowance effective 1987 01 01	\$ 528.38
Children's allowance, up to age 16, or 21 if attending school effective 1987 01 01	\$ 128.88
Funeral expenses	\$1,500.00
Re-marriage allowance	\$6,340.56
(b) Where death resulted from an injury which occurred on or after 1982 01 01	
initial lump sum to spouse is based on 2 1/2 times worker's compensable income to a maximum of \$76,692.20.	
Maximum monthly allowance	\$1,921.62

Note: Monthly allowance eligibility depends on age and whether there are dependent children. Re-marriage allowance; the sum of the monthly payments due, up to a maximum of twelve, or \$5,000.00, whichever is the lesser.

Funeral Expenses effective 1987 01 01	\$1,500.00
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Rehabilitation Benefits:

While a worker is engaged in a rehabilitation program, benefits are maintained at total earnings-loss replacement levels. Additional costs associated with training programs are also covered.

Medical Aid:

All medical expenses incurred by a worker, related to the compensable injury, including hospital, doctors, drugs and travel costs, are covered by the Commission.

Personal Care:

Where a worker requires special personal care during the period of recuperation, an allowance may be provided, ranging from \$100.00 to \$500.00 per month.

Home Care:

Where a worker is unable to perform ordinary, necessary household chores and a family member is not available to provide the service, the Commission may provide such a service at no cost to the worker.

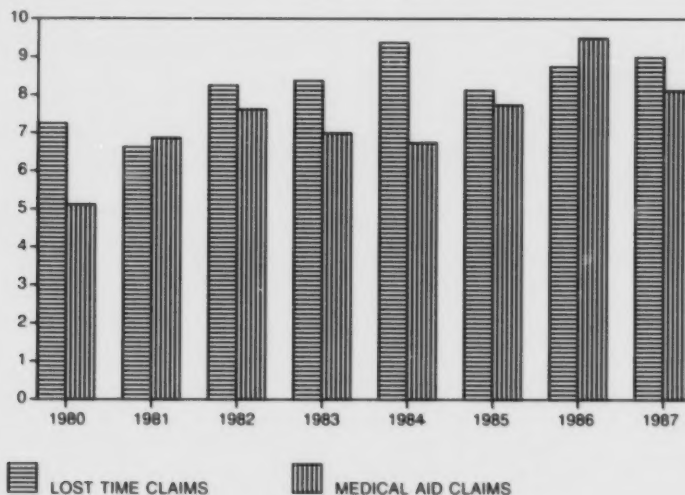
PROCESSED CLAIMS AND COSTS

1980 - 1987

YEAR	CURRENT AND PRIOR YEARS CLAIMS PROCESSED	CURRENT AND PRIOR YEARS CLAIMS COSTS
1987	19,149	\$37,446,000
1986	19,355	34,833,106
1985	16,465	28,057,771
1984	16,107	26,610,082
1983	15,115	25,453,648
1982	15,320	22,621,491
1981	15,949	18,634,248
1980	14,144	12,380,875

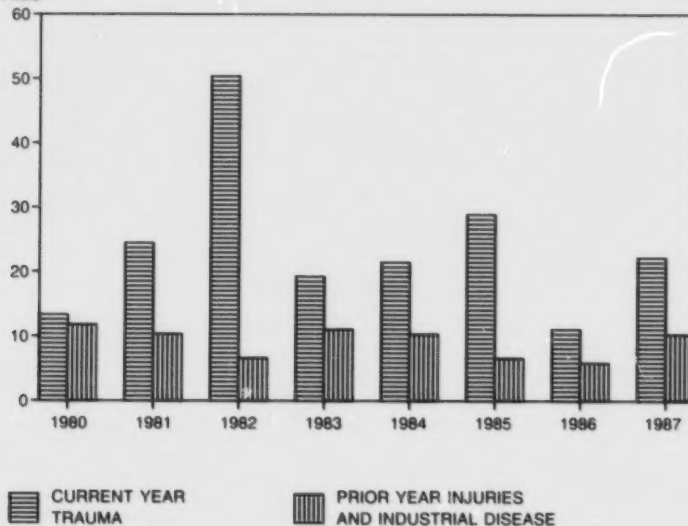
CLAIMS PROCESSED 1980 - 1987

THOUSANDS



FATAL COMPENSABLE INJURIES 1980 - 1987

NUMBER OF INJURIES



**LOST TIME INJURIES 1987
BY CLASS AND CAUSE OF INJURY**

Cause of Injury	Mining Class 1	Forest Products Class 2	Manu- facturing Class 3	Con- struction Class 4	Trans- portation Class 5	Sales Service Class 6	Fishing Class 7	Reserves Class 8	Self Insurers Class 9	Total
Bodily Reaction and Over	76	63	274	287	149	1488	884		525	3746
Caught In, On, or Between . . .	21	20	63	55	23	130	175		49	536
Collisions	2	5	2	7	9	30	20		18	93
Contact with Electrical			1	2	1	2			1	7
Contact with Radiation			7	2		28	55		5	97
Contact with Temp Extreme . . .	7		26	17	4	92	12		18	176
Fall from Elevation	20	17	49	108	34	168	125		88	609
Fall from Same Level	20	15	44	44	19	199	156		82	579
Miscellaneous	1	1	1	7	1	18	6		8	43
Rubbed or Abrated	26	40	146	107	12	363	798		102	1594
Striking Against	21	20	45	43	23	169	202		73	596
Struck By	28	79	73	102	35	288	208	1	107	921
TOTAL	222	260	731	781	310	2975	2641	1	1076	8997

**LOST TIME INJURIES 1987
BY CLASS AND PART OF BODY**

Part of Body	Mining Class 1	Forest Products Class 2	Manu- facturing Class 3	Con- struction Class 4	Trans- portation Class 5	Sales Service Class 6	Fishing Class 7	Reserves Class 8	Self Insurers Class 9	Total
Back and Spine	60	57	180	197	95	1035	476	1	332	2433
Chest	8	7	24	24	7	70	92		31	263
Circulatory			1							1
Eyes	15	13	82	49	9	120	71		47	406
Feet and Toes	33	29	70	108	46	260	127		111	784
Gastrointestinal	1		1		2	2	3			9
Genitourinary		1				1	2			4
Hands and Fingers	38	51	178	150	48	624	1158		169	2416
Head and Neck	6	7	25	38	18	143	63		55	355
Miscellaneous				1		1				2
Mult. Internal Injury	13	10	23	39	12	91	77		40	305
Nervous System						1	1			2
Other Lower	24	62	48	86	34	196	143		106	699
Other Systems						5	5			10
Other Trunk	12	13	53	51	25	265	216		103	738
Other Upper	12	10	45	37	14	159	175		81	533
Respiratory			1	1		2	32		1	37
TOTAL	222	260	731	781	310	2975	2641	1	1076	8997

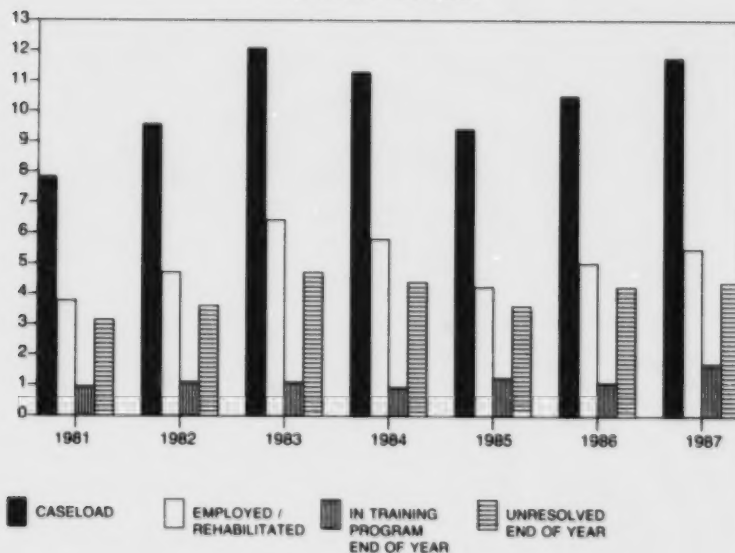
LOST TIME INJURIES 1987
BY CLASS AND NATURE OF INJURY

Nature of Injury	Mining Class 1	Forest Products Class 2	Manu- facturing Class 3	Con- struction Class 4	Trans- portation Class 5	Sales Service Class 6	Fishing Class 7	Reserves Class 8	Self Insurers Class 9	Total
Abrasions	13	11	70	50	10	112	64		45	375
Amputation	3	1	2	2		8	3		4	23
Burns	8		34	21	6	101	26		22	218
Concussions		1		2	1	3	2			9
Contact with Electrical			1			1				2
Contagious and Infectious						1				1
Contusions	47	64	134	157	73	523	540	1	217	1756
Dislocation	4	1	5	16	7	20	6		5	64
Fracture	13	15	24	52	20	82	63		32	301
Freezing and Frostbite						1				1
Hearing Loss						1				1
Hernia				1		6	1			8
Industrial Diseases						1				1
Irritation Joints/Muscles	3	1	5	7	3	18	36		17	90
Miscellaneous				1	1	3	2		3	10
Multiple Injuries	8	5	11	21	6	54	36		26	167
Non Personal Damage			2			2	4			8
Occupational Illness				1	1	4	7		5	18
Open Wounds	17	74	113	106	18	347	825		90	1590
Poisoning Inhalation			2	1		8	45		3	59
Psychological/Unidentified			2			2	1		1	6
Radiation Effects	2		5	2		2	2		1	14
Skin Inflammation			3			21	0		2	35
Sprains	104	87	318	341	164	1654	969		603	4240
TOTAL	222	260	731	781	310	2975	2641	1	1076	8997

REHABILITATION CASE LOAD

	1987	1986	1985	1984	1983
No. of Counsellors	5	5	5	5	5
Returned to Employment	277	277	225	340	399
Programmed	242	173	167	199	200
Refused Services	11	16	20	29	14
Non Vocational Matter	37	47	23	29	22
Other Closures		15	16		
Resolved Cases	567 (48%)	528 (49%)	451 (46%)	597 (51%)	635 (51%)
Presently in Training	176	118	138	104	108
Job Search	40	25			
Under Medical Treatment	119	186	161	272	354
Unsuccessful to Date	128	89	63	41	23
Not Contacted	141	126	126	142	112
Active Cases	604 (52%)	544 (51%)	505 (54%)	559 (49%)	597 (49%)
Total Case Load	<u>1,171</u>	<u>1,072</u>	<u>956</u>	<u>1,156</u>	<u>1,232</u>

REHABILITATION DEPARTMENT CASELOAD BY YEAR



MEDICAL DEPARTMENT

	1987	1986	1985
Claimants examined	818	669	407
Referrals to the Medical Advisory Committee on Industrial Respiratory Diseases	73	47	47
Referrals to the Miller Centre	243	176	78
Referrals to Orthopaedic Surgeons	437	515	376
Admissions to the Health Sciences Centre	206	182	157
Referrals for consultation and advice:			
From Claims Department	9,578	8,820	6,874
From Rehabilitation Department	1,312	881	546
From Executive	137	224	249
From Other Provincial Compensation Boards	124	75	30
Referrals for Occupational Diseases:			
Hearing	164	243	297
Respiratory	242	279	204
Referrals for Hospital Admission Assistance	1,243	999	672
Physiotherapy	248	269	
TOTAL	<u>14,825</u>	<u>13,379</u>	<u>9,937</u>

PAYROLLS AND ASSESSMENTS **1978 - 1987**

Year	Assessable Payroll	Assessments
1987	\$2,415,163,084	\$44,583,234
1986	2,179,741,994	41,869,246
1985	2,088,001,461	36,445,984
1984	1,901,078,128	33,424,363
1983	1,681,731,191	27,480,749
1982	1,460,549,600	22,279,253
1981	1,407,328,450	20,978,835
1980	1,171,606,318	14,506,913
1979	1,025,917,857	13,051,676
1978	852,803,032	12,390,592

